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NEWS RELEASE: ***Low-cost power goes to homes and farms***

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FOR MORE INFORMATION, CONTACT:

[Ed Mosey](#), BPA (503) 230-5359

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PORTLAND, Ore. – The Bonneville Power Administration will propose new ways to extend the limited supply of federal Columbia River system power to residential and small farm consumers in the Pacific Northwest, Administrator Judi Johansen announced today.

"Electric energy deregulation is changing the way utilities do business," Johansen said. "The region's utility industry is in a period of adjustment. We are committed to ensuring that residential and small farm customers throughout the Northwest continue to have access to low-cost hydropower from the federal system."

Johansen said BPA is launching an effort to inform the public and to adopt new policies. On Sept. 16, the agency will present to the region a proposal for marketing federal system power. Officials of the four Northwest states will be invited to participate in a public conference scheduled for Sept. 29. The agency will close public comment Oct. 23 and begin negotiating new power sales agreements with its customers before the end of the year. The contracts would take effect in October 2001.

Since 1981, the region's utilities and large industrial customers have shared the benefits of low-cost federal system power under provisions of the Northwest Power Act. The Act, passed in 1980, directed BPA to provide rate relief to the residential and small farm customers of investor-owned utilities. But the complicated formula for calculating those benefits is outmoded, the administrator said.

"What power products we sell, how much we sell and to whom are questions we will answer between now and November," Johansen said. "But one thing is certain: we will ensure that residential and other small consumers have access to electricity from BPA."

The electricity sold by BPA is much in demand. The agency has cut \$600 million a year in costs and its rates are highly competitive. Meanwhile, utilities and industries are anticipating rising prices for power sold by other suppliers in the next decade. BPA probably will not have enough generating inventory to meet the existing demand, let alone that of new customers. So one of the issues is whether BPA should supplement its inventory by purchasing additional energy.

"BPA supplies more than 40 percent of the region's power," Johansen said. "No method of sharing that low-cost electricity will satisfy everyone, but we'll all be better off if we agree on a plan. Failure to do so could mean forfeiting the decision to Washington D.C., where the outcome would be far from certain."

BPA has to build into its rates the flexibility to meet its obligations to the U.S. Treasury when conditions change to an extent that the agency didn't anticipate, Johansen said. So cost-recovery measures are also under consideration.

The agency now pays \$800 million a year in principal and interest on borrowing from the U.S. Treasury for federal dams, generators and transmission lines. It is paying \$480 million a year to cover costs associated with non-federal power plants and conservation. BPA also incurs costs of about \$300 million a year associated with salmon recovery, and is considering measures that would increase that number in years ahead.

BPA sells electricity at wholesale to more than 130 utilities in Washington, Oregon, Idaho and Montana. The agency also sells power directly to aluminum and chemical producers.

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